

FISCAL NOTE

SB 2039 - HB 1980

April 18, 2005

SUMMARY OF BILL: Prohibits any licensed insurer (BlueCross/BlueShield of Tennessee) from contracting to administer the state's employee health insurance program unless it permits any hospital that participates in TennCare to be included in the state employees' insurance program.

ESTIMATED FISCAL IMPACT:

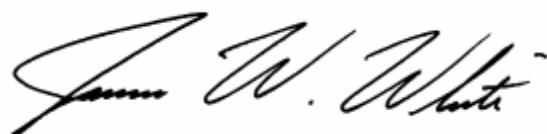
Increase State Expenditures - Exceeds \$1,000,000/State Health Plans

Assumptions:

- BlueCross/BlueShield of Tennessee (BCBST) is only licensed insurer affected by this bill.
- BCBST, as plan administrator, negotiates with hospital providers concerning the determination of the cost of services, approval of services provided, review of provider networks to determine the level of reimbursement, and the base price for eligible services and other conditions for billing patients. BCBST will not be able to negotiate as well with hospital providers due to hospitals being guaranteed network participation through participation in TennCare and could result in an inadequate network of providers.
- The hospital network available through the statewide PPO network does not include the Regional Hospital of Jackson. There are several Middle and West Tennessee Hospitals that are not included in the POS network.
- The state pays 80% of the monthly premium of the PPO option administered by BCBST for employees.
- The monthly PPO plan is the benchmark for the employer contribution. An increase in PPO benefit payments will result in an increase in the monthly financial support provided to state employees by their employer (state agencies, University of Tennessee, and Board of Regents) which is estimated at \$486 million at the current monthly rates.
- A one percent increase in hospital benefit payments will lead to the total payments by the PPO option to increase by .40 percent (\$1.9 million).
- Department of Commerce and Insurance would not have a significant impact for enforcing the provisions of this bill.
- Hospitals will contract terms comparable to other hospitals in network.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director